

Getting In Or Getting Out (2009)

Did you experience a little bit of déjà vu when you looked at the title of this month's column? If so, it's not déjà vu, but rather a really good memory, because I did write an article for *Quick Printing* back in 1995 with the same title. (QP, June 1995) The subject seemed timely back then, and I think it's timely again with one added wrinkle: the 1995 column was about quitting or joining a franchise, while the 2009 version is about joining a franchise or quitting the business.

Gray and Aging

Much has been written about the graying of the Baby Boomer generation. I know I see it when I look in my own mirror! In fact, since that 1995 column, my hair's gone from black-flecked-with-gray to gray-flecked-with-white. It's a little scary!

Something else I remember from 1995 is that we generally assumed something like 39,000 quick/small commercial printers in the United States. Midway through 2009, that "educated assumption" is closer to 29,000.

Here's one more memory. When I first started hanging around with quick/small commercial printers back in the early 90's—when I was in my early 40's—I was usually one of the younger people in the room. Anyone who was 5-6 years older than me then is somewhere near retirement age now, but a lot have not retired because they can't afford to. The business they counted on as their principal retirement asset isn't worth anywhere near what they hoped it would be worth, and no one's breaking down the doors to buy their business at any price.

OK, that takes us to why we lost those 10,000 printers and where they went. In some cases, the business simply failed and closed its doors—or had them closed by creditors. In other cases, the business was acquired by another printing company, and in some of those cases, the selling owner walked away with a payment that represented the full value of his/her business. In many other cases, though, the owner walked away with very little, or maybe even didn't walk away at all. I don't have data to prove this, but I think a comprehensive survey of the industry would find that there are at least 1000 former owners now working as salespeople for some other printing company, some with the payoff for their own business contingent on maintaining the book of business they sold, and others who are simply trying to use their industry experience to make a living, because they're too young or can't afford to retire.

By the way, in my experience, most of those owners are not very successful as employee/salespeople. And that probably reflects some of the "why" they lost their businesses. If they'd been willing and competent salespeople as owners, their business may well have survived and even prospered.

Exit Strategy

Regardless of your age, I think it's important that you're thinking about an exit strategy right now. That statement can be supported by a conversation I had recently with a 68 year old printer. "I had an pretty good offer about 10 years ago," he told me, "but I wasn't ready to quit then, and it never occurred to me that the value of my business would ever go down. If I'd sold it then, I couldn't have retired on the proceeds, but I didn't want to retire anyway. Looking back, though, I should have gotten out when I had the chance and done something else till I was ready to retire."

Another printer told me recently that he's hoping to sell and retire in 4-5 years. My advice was to start the process now. "I can't do that," he said. "I don't want the word to get out that I'm thinking of selling." My response had two parts: first, that you can't sell something that no one knows is for sale, and second, that the downside of "thinking about selling" is probably mostly imagined. Think about this, would your current customers leave you if they heard that you were thinking about selling your business? How would that benefit them? The more likely scenario is that they'd continue to buy from whoever bought your business unless the new owner did something that damaged the relationship. The only way that hurts you is if your payout is contingent on all of the customers staying, but that would be out of your hands once you were out of the business anyway!

Franchise Conversions

If I were thinking about exit strategy, I would talk with the franchise organizations who have active conversion programs in place. The idea behind these programs is that the franchises still want to grow, but the pool of people willing to invest in a start-up situation has diminished over the years. Their solution, then, is to play "matchmaker" between a printer who wants to sell, and a buyer who wants to be part of the franchise but with an established base of business.

Most of the major franchises have conversion programs in place. To start the ball rolling, go to their websites, click on "Franchise Opportunities" and send an e-mail or make a call.

Join A Franchise

You might also want to consider *converting yourself* and joining a franchise. I suggested that to the printer I mentioned earlier and he looked at me like I was crazy. “Why the hell would I do that?” he asked. “Why should I pay them for a name when I already have a name and then pay them royalties on top of that?” My response to that one had six parts: brand name recognition, marketing support, operational support, purchasing power, guidance on new technologies and an organization that could help you to be more profitable now *and* build value in the business for when you do find a buyer or want to sell.

I said *could*, by the way, because there’s no guarantee that you’ll be more profitable as part of a franchise. I will say this, though—for the most part, the people who follow the model of their franchise seem to do pretty well. Every franchise system has its share of rebels and/or malcontents, some of whom are successful beyond the franchise model, but most of whom fall into the category of sales and profit laggards. It’s been said that you can lead a horse to water, but you can’t make him/her drink. At least with a franchise, you have someone leading you to the water. Many independents don’t have that, and it’s the principal reason for their struggle.

And while I’m on the subject of franchises, I’m not just talking about the well-known names that go back to the beginnings of the industry. In many ways, CPRINT might be an even better choice for an independent owner with an independent spirit—but a need for the kind of support that a franchise can provide. And if you’re at the point where you still like the business but you don’t like being burdened by equipment and employees, you should take a look at Proforma.

Bottom Line

The bottom line for today is that everyone has options, but those options may diminish with time and age. I think most of the remaining 29,000-or-so quick/small commercial printers want to avoid the fate of the 10,000-or-so casualties of the last 10-15 years. The key is to increase the value of your business—to make it something that someone will want to buy! Beyond that, you’ll probably have to be aggressive and creative in trying to find a buyer. Don’t wait to do either until it’s too late!